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TO RUEHC/SECSTATE WASHDC PRIORITY 8870
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RHMFIU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 MEXICO 004980

SIPDIS

SENSITIVE
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STATE FOR WHA/MEX, WHA/EPSC, EB/IFD/OMA
STATE FOR EB/ESC MCMANUS AND IZZO
USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD
USDOC FOR ITS/TD/ENERGY DIVISION
TREASURY FOR IA (ALICE FAIBISHENKO)
DOE FOR INTL AFFAIRS KDEUTSCH, ALOCKWOOD, AND GWARD,
DOE FOR DAS PUMPHREY AND A/S HARBERT

E.O. 12958: N/A

TAGS: [ENRG](#) [EPET](#) [ECON](#) [EIND](#) [PGOV](#) [MX](#)

SUBJECT: PEMEX PIPELINE ATTACK CAUSES ECONOMIC DAMAGE

Summary

1. (U) A series of attacks on Petroleos Mexicanos (Pemex) gas lines in eastern Mexico have caused large disruptions to production countrywide. The militant group Popular Revolutionary Army (EPR) claimed responsibility and vows continued attacks until their demands are met. Business groups estimate losses of more than 100 million USD daily. Pemex is now struggling with the task of resuming service while finding ways to protect its assets in the future. The concern among Mexicans is less about the immediate economic damage of this attack, than about the long term damage to the investment climate if such attacks continue.

Revolutionary Group Claims Responsibility

2. (U) The Popular Revolutionary Army (EPR) claimed responsibility for the natural gas line attacks of the afternoon of September 10 in Veracruz and Tlaxcala states. According to a statement released by the group, the attack was part of a campaign to free colleagues detained, and subsequently missing, in Oaxaca on May 25, 2007. Explosives were placed at 12 different locations along the line and resulted in 6 explosions. The EPR claims the attack was executed so as not to cause loss of human life. They further claim that the attack was in response to the actions of President Felipe Calderon's government against activists, political opponents, and revolutionary groups.

Large Losses for Pemex, Business

3. (U) Pemex is still calculating the losses but, so far, has millions of dollars per day in lost natural gas sales and will have to spend millions to repair the damaged infrastructure. Pemex CEO Jesus Reyes Heróles said that the explosions will result in shortages equivalent to 25% of natural gas production during peak hours. As the state run energy monopoly, Pemex is importing additional gasoline and some natural gas to counter shortages. Pemex officials aim to repair the pipelines and resume production by September 17th.

4. (U) Business groups estimate daily private sector losses of at least 90 million USD. The industries most affected

are: glass, textile, steel, auto parts, automobile, and chemicals. The shortage also affected the Federal Electricity Commission, PemexQ,s largest client and a consumer of one fourth of Pemex's total natural gas production - 400 million cubic feet per day. The National Steel Industry reported that 29 plants owned by 10 companies and accounting for 60% of the country's steel industry had to stop operations. Production at the major Volkswagen plant in Puebla was halted for the entire week. As many as 2,500 companies in 10 states are reported to have been affected.

Future Security Is Main Concern

¶5. (U) Secretary of Government, Fransisco Ramirez Acuna, summoned his Security Cabinet to discuss future strategies in light of the attacks. The current security strategy has Pemex classify facilities according to their vulnerability and strategic importance, to determine levels of protection. Local authorities have offered to contribute to patrolling and protecting pipelines in their states. Reyes Heroles reported that Pemex has more than 19,000 land facilities and it is therefore naQve to think all of them can be protected.

Local Officials: Pemex Doesn't Help Us Help Them

¶6. (U) Embassy ConOff met with Veracruz State Under Secretary for Government, a Veracruz State Police official and a representative from the Civil Protection Office on September ¶10. When asked about protection of these vital lines, the officials explained that there is very poor communication between Pemex and state government officials. In one example of poor communication, officials said that during a major

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infrastructure project to build roads they "discovered" an old functioning Pemex gas line. They said that Pemex does not tell them where their lines are as a matter of "national security", thus it is very difficult for them to cooperate with them on the security of the gas lines.

¶7. (SBU) In a September 13 meeting with visiting U.S. Department of Energy Assistant Secretary Karen Harbert, Mexican Undersecretary of Energy Planning and Technological Development, Jordy Herrera (strictly protect throughout), said that "as a government we are very concerned, and don't want such attacks to happen again." He noted that GOM concerns included the nuclear power plant in Tampico. He explained that the Secretariat of Energy is preparing a new plan for the security of specific energy installations which could be completed in about a month.

Comment

¶8. (SBU) The EPR has announced that it will continue its attacks against the Mexican government, and the vast network of unprotected and poorly maintained pipelines provides an easy target. However, worries that Mexico will degenerate into a never ending fight to keep the oil flowing are overly dire. The EPR does not enjoy public support and attacks on Mexico's pipelines do nothing to improve its image. More importantly, the government is taking seriously its responsibility to step up protection of Pemex assets making these a more difficult target for the EPR to exploit in the future.

¶9. (SBU) A larger concern is the effect that these attacks will have on Mexico's image. Since he first took office, President Calderon has been on a constant drive to attract international investment to Mexico. This and any future attacks could negatively affect the investment climate.

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